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Alony Hetz Properties and Investments Ltd.[1]

Monitoring Report | May 2025

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel.

The binding version is the one in the original language.

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Alony Hetz Properties and Investments Ltd.

Issuer Rating	**Aa3.il**	**Outlook: Stable**
Series Rating	**Aa3.il**	**Outlook: Stable**

Midroog affirms the Aa3.il issuer rating and rating of bonds (Series 9, 10, 12, 13 and 15) of Alony Hetz Properties and Investments Ltd. (the "Company" or "Alony Hetz"), and changes the rating outlook from negative to stable.

Outstanding bonds rated by Midroog:

Bond series	Security No.	Rating	Outlook	Final Maturity
9	3900354	Aa3.il	Stable	28/02/2027
10	3900362	Aa3.il	Stable	28/02/2027
12	3900495	Aa3.il	Stable	28/02/2031
13	1189406	Aa3.il	Stable	28/02/2037
15	1189414	Aa3.il	Stable	28/02/2037

* The Company's Series 11 bonds are not rated by Midroog.

Summary of Rating Rationale

- ***The stabilization of the rating outlook stems from stability of the Company's financial ratios relative to Midroog's assessment, due to a share capital issue, high dividends from the investees and easing of the trend of negative revaluations in the balance sheets of the investees in the US and the UK.*** The operational performance of the investees' real estate properties was stable. In Midroog's assessment, the business environment in the US office sector remains weak and challenging, although the sector's operational and financial indicators have shown some stabilization. Following substantial negative real estate revaluations recorded by the Company's holdings in the US and UK in 2022-2023, amounting to a cumulative NIS 4.1 billion (Company's share), in 2024 negative revaluations were recorded for a total of NIS 600 million (Company's share), mostly in the first half of the year. The Company's LTV ratio, measured as the ratio of net financial debt (“expanded solo”) to total value of investments adjusted to market value, remained relatively stable at around 40% before the date of this report. A capital issue of NIS 1.0 billion coupled with a reduction in the distribution to the shareholders contributed to the stabilization of the ratio, which, however, was partially offset by high capital investments in the investees and a sharp decline in the market value of Energix. Coverage ratios remained relatively stable. Debt of the Company is expected to increase in the coming year, in light of continued substantial investments in the private investees, with the LTV ratio forecast by Midroog to grow up to a level of 45%, the net debt to FFO ratio to stand at 13-14 years and the interest coverage ratio to be around 3.0 years.

- ***A relatively diverse holding portfolio with geographically diversified holdings primarily in the real estate sector.*** The Company holds 51.05% of Amot Investments Ltd. ("Amot", Aa2.il) and 50.24% of Energix Renewable Energies Ltd. ("Energix", A2.il), which account respectively for 37% and 23% of the adjusted value of the Company's portfolio of holdings.[2] The holdings in private real estate companies – Brockton Everlast ("BE") (84.9%) and Carr (47.8%) – account respectively for an additional 24% and 11% of the portfolio. The diversification of the investees compares favorably with holding companies of the same type as Alony Hetz. The medium to high quality of the investees is supported to a great extent by the high credit quality of Amot. The portfolio mainly comprises holdings in the income-producing real estate sector, primarily in the office sector, although the spread of operations over several economies (Israel, US, UK) contributes to diversification within the sector.

- ***Current cash flow generated by dividends received from investees, presenting an inherent risk, and primarily from the two major holdings, which are expected to maintain steady distribution.*** The dividends received by the Company derive mainly from Amot, which accounted on average for one half of the flow of dividends to the Company in the last three years, and from Energix, which recorded an increase in the flow of dividends to the Company in recent years, accounting approximately for a quarter of the dividends received by the Company in 2024. The investees have distribution policies and a track record of steady distribution over the years. It should be noted that the dividends received from the investees in the US and the UK are used for investments of the Company in those companies for the development of properties. Midroog estimates the flow of dividends at NIS 600-650 million in each of the years 2025-2026, with approximately one half of the amount expected to derive from Amot, while the dividend from Energix may decrease compared to the last two years due to high investments and an anticipated drop in revenues.

- ***Good financial flexibility, given that none of the Company's assets are encumbered and more than one half of the adjusted value of the investment portfolio is tradable.*** The Company has substantial control over its holdings, all its assets are unencumbered, and more than one half of the value of its holdings is in quoted shares. In addition, it has adequate liquidity, including undrawn committed credit facilities of NIS 500 million. Moreover, Midroog estimates that the Company and its investees

[2] The adjusted value of the portfolio of holdings above and below is defined as the market value of the Company's quoted holdings based on an average of the 30 trading days before the date of this report and on the book value of its unquoted holdings as of December 31, 2024 on an expanded solo basis.

have good access to capital and debt funding sources. Under Midroog's base case scenario, the debt service coverage ratio (DSCR + cash) is projected to be in the range of 1.5-2.0 in 2025.

- ***The rating is positively affected by a conservative and consistent financial policy.*** The Company holds over time high liquidity reserves in the form of undrawn committed credit facilities, and it acts to maintain a relatively moderate level of leverage. During 2024 the Company issued share capital for a total of NIS 1.0 billion, stabilizing its leverage ratio in the wake of large investments in the private companies in its portfolio and following major declines in the fair value of investment properties on the books of the investees. The Company distributes profits in substantial amounts over time, but it reduced the distribution amounts in the last two years.

Midroog's base case scenario assumes, among other things, the issuance and repayment of bonds as part of the Company's current operations, dividend receipts from the investees, dividend payouts in accordance with the Company's distribution policy, investments in the investees, and settlement of a liability for financial derivatives. The base case scenario likewise takes into account a sensitivity test on the value of the Company's quoted and unquoted investments.

Additional Rating Considerations

The Company's final rating of Aa3.il is one notch above the A1.il rating derived from the rating scorecard. Among the additional rating considerations, Midroog gave favorable weight to the Company's strategy of investing in the investees in a manner that contributes to their growth and to the growth of the cash flows generated by them over time, reflecting a moderate financial policy. The Company over the years has maintained a solid level of leverage, coupled with good liquidity management, high cash flow visibility and compliance with forecasts.

Rating Outlook

The stable outlook reflects Midroog's forecast of stability in the credit quality of the investees as well as the Company's compliance with the financial ratios according to Midroog's base case scenario, while implementing a financial policy designed to prevent deterioration in its financial profile and ascribing importance to maintaining the rating level.

Factors that could lead to a rating upgrade

- A significant improvement over time in the financial strength and leverage ratios.
- An improvement in the debt to FFO coverage ratio.
- Greater diversification of the portfolio of holdings.

Factors that could lead to a rating downgrade

- A decline in the credit quality of the portfolio of holdings.
- A continuing increase in the leverage ratio beyond Midroog's assessments in the base case scenario.
- Weakening of dividend visibility and stability and/or deterioration of the coverage ratios.

Alony Hetz Properties and Investments Ltd. – Key financial indicators (expanded standalone), NIS in millions

	31.12.24	31.12.23	31.12.22	31.12.21	31.12.20
Book value of investments	10,634	10,584	12,776	11,811	10,015
Adjusted value of investments*	13,280	13,429	15,218	16,318	13,658
Cash	642	1,025	409	113	603
Gross financial debt	5,559	6,107	5,202	4,102	3,810
Equity	5,414	5,002	7,710	7,638	6,402
Net debt to adjusted value of investments	37.0%	37.8%	31.5%	24.4%	23.5%
Net debt to FFO	10.8	10.9	11.1	12.4	10.1
ICR	3.4	3.6	3.9	3.8	3.3

* "Adjusted value of investments" means the market value of quoted holdings as of the balance sheet date and the book value of unquoted holdings as of that date.

Detailed Rating Considerations

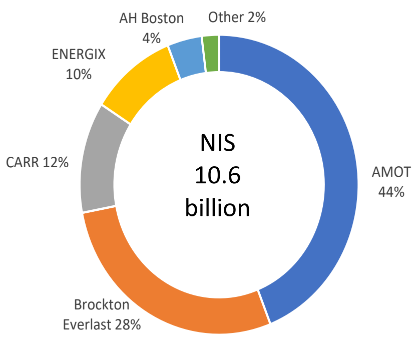
The office market in all the geographical regions in which the Company operates is in the midst of a negative economic cycle, accompanied by long-term structural changes, and although there has been a degree of stabilization in the basic market indicators, only time will tell if the crisis in the market has ended

Alony Hetz is a holding company operating through investees in two business sectors, the main one being income-producing real estate, primarily in the office segment, and the additional sector being renewable energy.

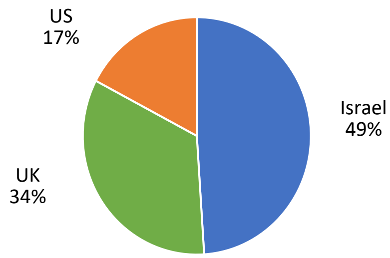
In the income-producing real estate sector, the Company holds four main companies, each operating in a different territory: Amot Investments (51.05% stake), which operates in the field of income-producing office, logistics and commercial properties in Israel; Carr (47.8%) and AH Boston (55%), which operate in the office market in the US (Washington DC, Boston and Austin); and Brockton Everlast ("BE") (84.9%), which operates in the office and laboratory market in the UK (Central London, Cambridge and Oxford). The value generated by the Company's holdings in the income-producing real estate sector derives mainly from Israel (about one-half of the standalone book value of investments in this sector), and the balance from the UK and the US.

In the renewable energy sector, the Company operates through its holding (50.24%) in Energix, which engages in the initiation, construction, management and operation of photovoltaic solar systems and wind energy systems for generating electricity, in Israel, Poland and the US.

Breakdown of value of holdings in the Company's books (expanded standalone book value), December 31, 2024



Breakdown of value of holdings in the income-producing real estate sector in the Company's books (expanded standalone book value) by geographical region, December 31, 2024



Source: Financial statements published to the public

The income-producing real estate sector in Israel is characterized by a strong and growing economic environment over time, alongside slowing demand and price pressures in the office segment. In the wake of the war in the Gaza Strip and in the north of Israel, Israel's economy in general, and the real estate sector in particular, are experiencing an economic downturn. The effects of the war have intensified a downtrend in the business real estate market that began already in early 2023, due to rising interest rates and a slowdown in capital funding of high-tech companies. The downturn in the Israeli income-producing real estate market is reflected in the reduced scope of investments in construction and fewer property purchase and sale transactions. The office market in Israel, which until 2022 was marked by strong demand and an increase in rental prices in the center of the country, due to rapid growth in the scope of investments and in the number of employees in the high-tech sector, continued to show signs of a slowdown in the past year. According to NATAM's report,[3] the first half of 2024 saw a further decline in rental prices in the office market, averaging 5.7% in the Tel Aviv area for Class A offices compared to the second half of 2023. The decline in rental prices for prime office properties in prime locations was more moderate – indicating the strength of this market segment which relies on good transportation access. Starting from the second half of 2024, there has been a gradual recovery in demand and in rental

[3] Natam's Report, Issue Number 53.

transactions in the office market. In Midroog's assessment, there are significant differences in rental prices and occupancy rates of prime office properties, which are characterized by a central location and a high level of finish and services, especially in light of the rise in construction costs and given the limited supply of offices of this kind. Office properties of lesser quality and in areas adjacent to Tel Aviv are experiencing a more acute decline in prices and occupancy rates.

The US office market is experiencing a crisis that began with the outbreak of the Covid-19 pandemic and the resulting change in work patterns and growth in internal migration, and it is still characterized by high financial risk. Demand for prime properties in prime locations has risen, with performance in this segment surpassing general market performance. The rise in the number of employees working from home in the wake of the pandemic and the transition to hybrid working has led to a drop in demand for office space, side by side with an increase in the supply of office space over the last decades. Furthermore, demographic trends of migration within the US, caused by spiraling housing prices, have shifted businesses and workers between geographical regions in the US. With the subsiding of the pandemic, there has been a gradual increase in the percentage of workers coming to the office, due in part to employers' demands. The drop in demand is having a gradual impact on occupancy rates and rental prices due to relatively long lease contracts. In the fourth quarter of 2024 the nationwide vacancy rate in the sector reached a record 20.4%, and this percentage is expected to increase during 2025, following the termination of contracts. Average rental prices remained relatively stable during 2024. The above data show high variance among states and categories of properties, with prime and super-prime properties enjoying strong demand due to employer preferences and a shortage in properties of this kind. The number of properties under construction that are expected to be released to the market is trending downward, and this together with the conversion of office properties to other uses (as yet at low percentages) is expected to keep prime properties in relatively tight supply. Financing conditions in the industry have hardened in the last two years, however, the stability of the financing banks and their tendency to manage the crisis by rescheduling loans and keeping properties off the market have supported the industry in general. According to the Stability Report of the US Federal Reserve,[4] there has been no worsening in the financing conditions in recent quarters.

The Washington DC metropolis is a leading location in the US, impacted mainly by the activity of the federal administration and boasting a high concentration of employees with academic credentials. GDP of the District of Columbia rose in 2024 by 3.4% compared to 7.5% in 2023, while unemployment in the metropolis remained at a low 2.8%. These data still do not reflect the extensive efficiency measures

[4] Financial Stability Report, April 2025.

implemented by the federal administration among government bodies and agencies, and it is likely that the unemployment rate will be affected by this in the coming year. The increase seen in the use of the mass transit system could indicate a growth in the rate of return to work in offices, which remains below pre-pandemic levels. The direct vacancy rate (lease from property owners only without subletting) for Trophy Class offices stood at 12.2% compared to 18.2% for Class A offices. Total areas leased in 2024 amounted to 8 million square feet – up from 6 million square feet in 2023. Nevertheless, the net absorption rate remains negative, in spite of an improvement in the course of the year, and it is projected to grow during 2025. The shift to high-quality properties built after 2015 (Flight-to-Quality) has continued to gain momentum, accompanied by an increase in differences in rental prices between different quality categories of office properties.

The Greater Boston area is the tenth largest metropolis in the US, with a population of 5 million. It has the largest concentration of higher education institutions in the US as well as a large concentration of high-tech companies, research institutes and biotech firms and the largest number of leading hospitals in the US. As of the end of 2024, unemployment in the Boston Metropolitan Area rose to 3.9%, up from 2.9% at the end of 2023. The office market in Boston showed an increase in lease activity during 2024, however, the net absorption rate was negligible – an improvement over the previous year. The vacancy rate rose somewhat, with the direct vacancy rate in Boston's Central Business District increasing to 17.4% at the end of 2024 (compared to 16.2% at the end of 2023), while the overall vacancy rate stood at 21.4%. It should be noted that according to data of the Company, the vacancy rate is concentrated among a very small proportion of offices in the city.

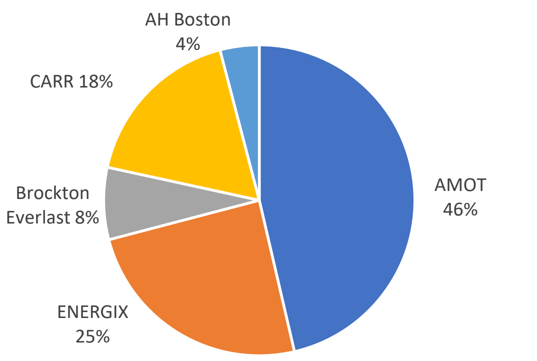
London is characterized by relatively high demand for modern, quality office spaces, while at the same time the scope of new construction is expected to add significantly to supply in the city in the coming years. During 2024, demand continued for premium offices in Central London. Rental prices for this category rose to £88 per square foot per year in the City and to £155 per square foot per year in the West End, representing an 11% annual increase, which is the highest in the last decade. Total investments in office purchase transactions in Central London amounted to £6.2 billion in 2024, slightly below the previous year and approximately one half of the average for the last decade. Total office space in Central London for which new lease agreements were signed stood at 9.7 million square feet, similar to 2023 and close to the average for the last decade. The decrease in the volume of transactions is mainly a result of the significant increase in interest rates and the drop in availability of new financing for the purchase of buildings. The rate of vacant office spaces in Central London stood at the end of 2024 at 9.0%, similar to 2023 and compared to 8.5% at the end of 2022 and an average of 5.8% in the last decade. New construction in London is expected to add 18.2 million square meters of office spaces to the city by the end of 2027, of which 46% are pre-leased.

Cambridge and Oxford are characterized by high exposure to the life sciences sector, which is affected by an increase in interest rates and a decrease in the scope of investments. In Cambridge, total office and laboratory spaces stand at 11 million square feet, reflecting a continuing increase. New leases were signed for a total of only 347,000 square feet in 2024 – approximately one-half of 2023. The rate of vacant office spaces stood at 13%, and the rate of vacant laboratory spaces stood at 7% – a sharp increase over 2023 (2.8%). In Oxford, office and laboratory spaces amount to 9 million square feet, while new leases in 2024 remain stable and the vacancy rate for office and laboratory properties stood at 9% and 8%, respectively. In both areas, rental prices remain relatively steady. Laboratory spaces under construction amounting to a high 3-4 million square feet are expected to be added to the market in each of these areas in the coming years.

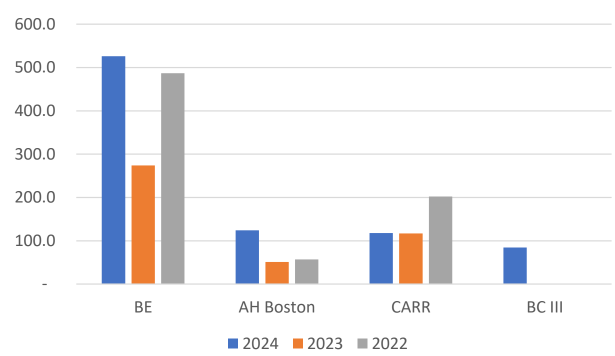
High quality and a strong weighted credit risk profile of the investees, based to a large extent on the holding in Amot

The Company's debt servicing and financial flexibility are supported by dividends received from the portfolio companies and by the value of the portfolio of holdings, a factor presenting an inherent credit risk, given that the Company has no current cash flow sources of its own. At the same time, the Company each year makes extensive investments in the private investees as part of its long-term investment strategy, in order to grow their activity and to provide financial support.

Dividends received by Alony Hetz by investees, 2024



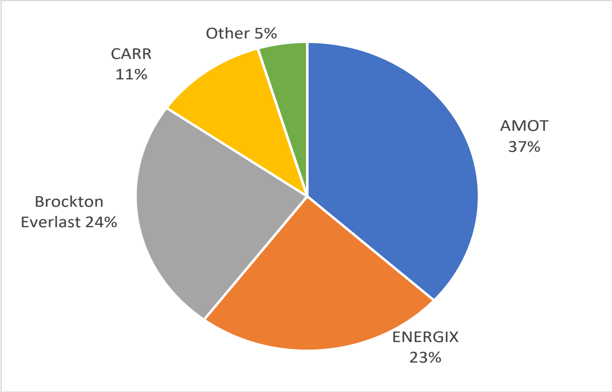
Investments of Alony Hetz in private investees, 2022-2024 (NIS in millions)



Source: Financial statements published to the public and processing by Midroog

Amot and Energix account respectively for 37% and 23% of the adjusted value of the Company's portfolio of holdings, compared to 33% and 28% as of December 31, 2023. The three principal investees (Amot, Energix and BE) account together for 85% of the portfolio. The increase in the share of Amot stems from growth in its market value, coupled with a decline in the market value of Energix. Approximately 46% of the dividends received by the Company's in 2024 derived from Amot and 25% from Energix. Also in the coming years, dividends are expected to be generated by these two holdings.

Segmentation of adjusted value of the Company's holdings[5]



Source: Financial statements published to the public, data of the Tel Aviv Stock Exchange and processing by Midroog.

Amot – a strong and stable cash flow along with moderate leverage and high financial flexibility. Amot's rating (Aa2.il) is supported by a widely diversified inventory of quality income-producing properties in Israel, with an investment real estate value (expanded consolidated) of NIS 17.3 billion, consisting primarily of 112 properties in the office, logistics and industry, commercial and supermarket segments (approximately one half of the value of the investment real estate), mostly located in prime areas over a wide geographical distribution, with high occupancy rates over time, generating a cash flow based on long-term lease agreements, with a continuing increase in same property NOI for properties operating in the last three years (3.3% increase in 2024 compared to 6.1% in 2023) and having a relatively solid financial profile. As of December 31, 2024, the occupancy rate for all the Company's properties stands at 92.3%, compared to 93.4% as of December 31, 2023. Additionally, Amot has investment real estate under construction for a total of NIS 3.3 billion.

Energix – operates in a growing industry and is in the midst of an extensive investment plan. Energix (A2.il) operates in Israel, Poland and the US in the growing field of generation of electricity from renewable energies. Its activity is growing based on investments in new projects, and it is in the midst of a massive investment plan, with these investments expected to significantly expand its operations in the coming years in all the geographical areas in which it operates. Energix's income-producing projects

[5] Market value of the quoted holdings based on an average of the last 30 trading days before the report publication date and the book value of the Company's private holdings on expanded standalone basis.

generate a strong and stable cash flow, alongside an increasing level of leverage resulting from its massive investment plan.

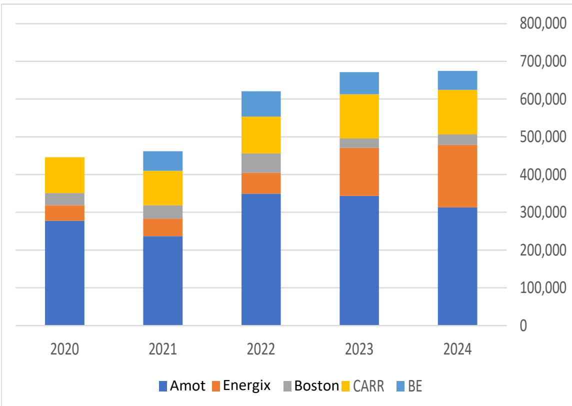
Carr – JPM's withdrawal from the joint investment with Alony Hetz is expected to result in a reduction in the portfolio of properties of this investee, with a simultaneous capital infusion by Alony Hetz to set in motion Carr's investment plans in the residential sector. Carr owns wholly or partly 12 office properties with a total area of 3.3 million square feet and with a value of $2 billion (its share on a proportionately consolidated basis). Its properties are located in urban areas in proximity to transportation hubs – nine in the Washington DC metropolis (approximately one half of the value of the properties), two in Boston and one in Austin, Texas. As of December 31, 2024, the occupancy rate in the properties stood at 89.4%. NOI on a proportionately consolidated basis amounted to $131 million in 2024, compared to $126 million in 2023, and was affected on the one hand by the sale of properties and on the other hand by an increase in rental activity. Same property NOI from properties operating in the last three years increased only slightly in 2024 by 2.5%, compared to 1.1% in 2023. In Midroog's assessment, Carr's credit quality is favorably affected by the location of its assets, occupancy rates that are appropriate for the operating environment and a strong cash flow from the properties that is backed by long-term contracts. On the other hand, Carr is characterized by high leverage due to a decline in the value of its properties in recent years. In February 2025, Alony Hetz entered into a non-binding memorandum of understanding with JP Morgan (JPM), its partner in the holding, whereby Carr is to redeem JPM's holdings in it in exchange for three debt-free properties it will hand over to JPM. In the event that the transaction is completed, Alony Hetz's share in Carr will increase from 47.8% to 77.2%. Alony Hetz is also expected to provide Carr with an infusion of $100 million, in order to bolster its strength and liquidity ahead of new transactions. In Midroog's estimation, the JPM transaction is not expected to increase Carr's leverage in the short term, due to the sale of properties planned by Carr in conjunction with the transaction and the capital infusion as described above. The transaction is expected to reduce Carr's inventory of properties in the short term while increasing the concentration of properties. Additionally, Carr currently has a substantial number of unencumbered properties, however, the percentage of these properties is expected to significantly decrease in the wake of the transaction, including as a result of refinancing of properties. As part of its actions to deal with the crisis in the US office market, Carr is implementing an investment plan to convert office buildings to residential use, including through the inclusion of partners in these projects, and it is also considering selling office properties that have exhausted their potential as an additional source of investments.

Brockton Everlast (BE) – stable income-producing properties alongside a development strategy based on the betterment of rights in the existing properties, which will require Alony Hetz to make additional investments in this holding. BE operates in the office and life sciences market in Central London, Cambridge and Oxford in the UK, where it owns ten income-producing properties with a total area of 1.1 million square feet (98,000 square meters) and a fair value of £691 million, as well as land for the development of income-producing real estate with a fair value of £421 million. BE's properties, which are centrally located in the areas in which it operates, have middle-market positioning and enjoy value-add potential which BE has sought to exploit over the years. The weighted average occupancy rate of BE's properties has remained high and stable in recent years, standing as of the end of 2024 at 97.3%. Total NOI amounted to £42.7 million in 2024, compared to £41.3 million in 2023. Same property NOI for properties operating in the last three years rose by 7% due to an increase in rental prices. BE has a major tenant, Marks & Spencer, that rents from BE the Waterside House office building in Central London and that accounted for 32% of its revenues in 2024. BE has one property under construction – the Dovetail project in the City of London, currently in the process of demolition and reconstruction, with an area of 453,000 square feet over 23 floors and involving a substantial investment estimated at £670-720 million. Construction of the building, which has been designed to a very high class, is expected to take place in 2025-2029. Alony Hetz will invest equity in this project in 2025. In Midroog's assessment, BE's credit quality is supported by a significant number of properties, moderate leverage and strong property positioning. As against this, the majority of its properties are encumbered to senior lenders and its debt service coverage ratio is relatively slow.

High visibility of dividends from the investees contributes to the Company's cash flow stability and coverage ratios

The flow of dividends from the investees is stable and continuous in recent years. It is supported by the distribution policy of each of the investees and is subject to restrictions on the part of their lenders. The investees which are public companies comply with the distribution restrictions with considerable headroom. The private holdings are REIT funds whose status as such requires them to distribute profits.

Dividends received from investees (Company's share), NIS in thousands



However, the Company reinvests capital in those holdings to enable their growth and maintain their financial strength. Given the significant percentages of its holdings in the investees, the Company is well able to estimate the amount of the expected dividends and over time has met its forecasts in this regard. Dividend receipts averaged NIS 657 million per year in the last three years and are trending upward. Amot is responsible on average for approximately one half of the dividends received by the Company

The Amot board of directors has a long-standing and well-established distribution policy, according to which Amot announces in the first quarter of each year the amount of the distribution for that year. The Company's dividend receipts from Amot in 2024 totaled NIS 313 million, compared to NIS 344 million in 2023. Energix has a distribution policy whereby shortly before the publication of its annual reports each year, it announces the amount of the distributable dividend in that year. In recent years, Energix has increased its dividend distributions, due, among other things, to a significant expansion of its operations. The Company's dividend receipts from Energix in 2024 totaled NIS 166 million, compared to NIS 127 million in 2023. Midroog has taken into account a possible reduction in the amount of the distribution from Energix in the coming one to two years, in light of the latter's expectations for a decrease in revenues in 2025 along with continued growth in capital investments in the initiation and construction of energy facilities. The ultimate corporate owner of Carr is defined as a REIT, and it therefore is obligated to distribute a dividend amounting to at least 90% of the adjusted income for tax purposes. The Company's dividend receipts from Carr are intended for reinvestment in that company. Dividend receipts from Carr in 2024 totaled NIS 118 million, the same as in 2023. Beginning in 2021, dividends are also received from BE, which, too, is defined as a REIT

Under Midroog's base case scenario, the Company's dividend receipts from the investees will be in the range of NIS 600-650 million in each of the years 2025-2026, compared to receipts of NIS 675 million in 2024 and NIS 672 million in 2023. In estimating the dividends payable to the Company, Midroog assumed stable distribution from Amot, but it did not include in the forecast an additional dividend beyond the current dividend which is distributed by Energix from time to time. As against these receipts, the Company makes capital investments in the private investees Carr, AH Boston and BE, which amounted in 2024 to NIS 850 million, further to investments of NIS 440 million in 2023 and NIS 746 million in 2022. In 2025, the Company foresees investments in the private investees in an amount of NIS 775 million, primarily in Carr.

Slowing of the decrease in property values of the investees during 2024

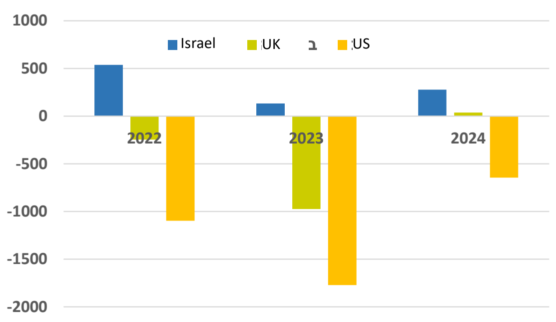
In 2024, the investees in the US, AH Boston and Carr, recorded decreases in the value of properties amounting to $345 million, of which the book value of the Company's share is NIS 645 million, compared to $978 million is 2023 (Company's share NIS 1.8 billion) and $658 million in 2022 (Company's share NIS 1.1 billion). Decreases in value in 2024 were recorded mainly in the first half of the year. It should be noted that in 2024 Carr posted a profit of $81 million (Carr's share) following the removal from consolidation of three properties which were handed over to creditors secured by property (with no right of recourse) or sold for a token consideration, which served to offset the decrease in values and also helped to reduce Carr's debt. The decrease in values was mainly a result of an increase in the capitalization rate of the expected cash flow from the properties, in light of a weak operating environment in the US office sector and rising interest rates. In the fourth quarter of 2024, a slight positive revaluation was recorded for the three properties owned by AH Boston in the US, whereas Carr recorded a negative revaluation in the amount of $42 million. The rate of return on Carr's properties at the end of 2024 is estimated by the Company at an average of 6.65%, compared to 6.88% at the end of 2023 and 5.35% at the end of 2022.

The investee BE in the UK presented a slight revaluation profit in 2024, following revaluation losses recorded during 2022 and 2023, in an amount of £72 million and £252 million, respectively (Company's share NIS 246 million and NIS 974 million, respectively).

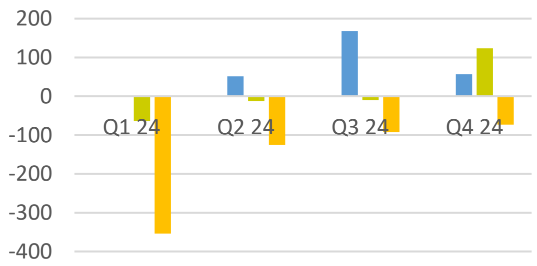
The cumulative decline in the value of the real estate properties of the Company's private holdings, combined with continuing substantial investments by the Company is these holdings in those years, resulted in an increase in the Company's leverage in the years 2022-2024.

Alony Hetz: Company's share of real estate revaluations in the investees, by geographical regions (NIS in millions)

2022-2024



2024 by quarters



Source: Financial statements published to the public and processing by Midroog

A significant capital issue contributed to the stabilization of the financial leverage; however, continuing substantial investments in the investees are expected to result in an increase in the net debt, which, together with an assumed degree of deterioration in the value of the investees, is expected to raise the level of leverage.

The Company's current expenses mainly comprise net interest expenses, which amounted to NIS 189 million in 2024, compared to NIS 175 million in 2023, and are projected to grow, in light of the expected growth in the Company's debt, as well as lower financing income, to between NIS 200-230 million, along with headquarter expenses net of management fees and tax in an amount similar to previous years.

Following an increase in the net financial debt in each of the years 2021-2023, a slight decrease in the net debt was recorded in 2024, in spite of substantial investments in the investees, due to a capital issue of NIS 1.0 billion made by the Company. The capital issue helped to finance the investments in the investees as mentioned above, as well as settle liabilities for derivatives in the amount of NIS 250 million and pay bond maturities. As of December 31, 2024, the Company's net financial debt (expanded standalone), due entirely in respect of bonds, is NIS 4.92 billion, compared to NIS 5.1 billion as of December 31, 2023.

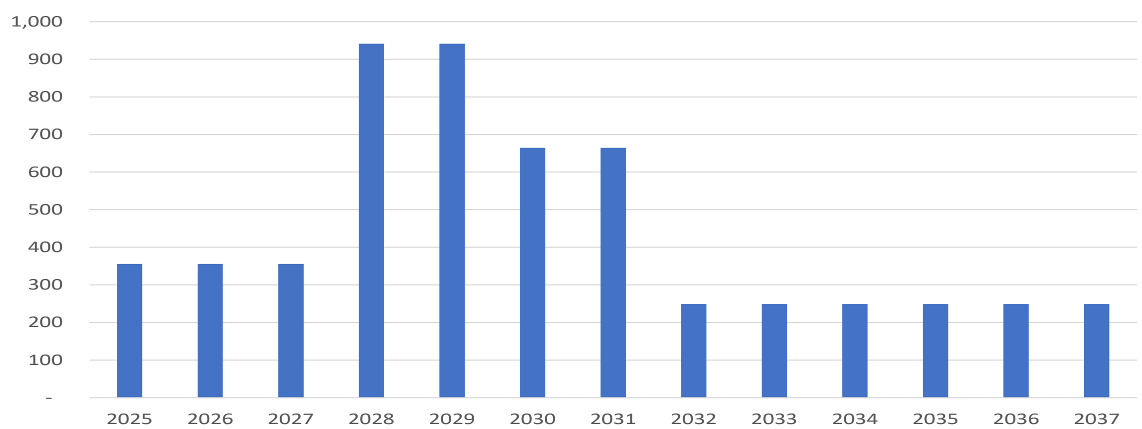
Under Midroog's base case scenario, the net financial debt is projected to grow in the coming year due to continuing significant investments in the investees, in amounts similar to the past year, as mentioned above. In addition, the Company is expected to distribute dividends in accordance with its policy. Total sources of the Company for 2025 before debt funding are estimated at NIS 1 billion, including liquidity reserves of NIS 0.6 billion as of December 31, 2024 and net current cash flow (dividends received less net headquarter expenses and financing and tax expenses) amounting to NIS 0.4 billion. As against this, the Company's used are estimated at NIS 1.5 billion, including investments in investees, settlement of liabilities for derivatives, payment of current bond maturities and distribution of a dividend. The excess amount of uses will be financed by the issuance of bonds, without assuming any capital transactions.

Midroog estimates that the Company's cash balances will decrease in 2025, weakening liquidity, which is measured by Midroog as the ratio of liquidity reserves (cash and undrawn committed credit facilities) plus net operating cash flow before financing to debt service of principal and interest (DSCR + cash ratio), to a level of 2.0 compared to a ratio above 3.0 in previous years. Maturities in 2025-2027 are scheduled comfortably, after the Company extended the duration of bonds in 2024 through the substitution of a bond series.

The net debt to FFO coverage ratio is expected, on average, to be in the range of 13-14 years, which is slow for the rating level. The ICR coverage ratio (ratio of interest expenses to revenues from dividends and from management fees less headquarter expenses and before dividends to the shareholders) is projected at around 3.0 years.

The adjusted value of the Company's portfolio of holdings before the date of this report (average of last 30 trading days) is NIS 12.2 billion, compared to NIS 13.4 billion at the end of 2023. The decrease in the value of the investees is mainly due to a decline in the market value of Energix (at a rate of 26% in the last 12 months), following a 20% increase in 2023, as well as negative revaluations of the investees in the US (AH Boston and Carr). These factors were partly offset, mainly by an increase in the market value of Amot (at a rate of 21% in the last 12 months). The Company's LTV ratio, measured as the ratio of net financial debt (expanded standalone) to total value of investments adjusted to market value, was estimated at 40% before the date of this report, similar to the figure 12 months ago, and compared to 38% at the end of 2023 and 33% at the end of 2022. Midroog has taken into account that the expected increase in debt, along with fluctuations in the value of the quoted shares and continuing declines in the value of the investee's properties, as well as the investments in the investees, could increase the leverage ratio to around 45%.

Alony Hetz (expanded standalone): Bond principal amortization schedule as of December 31, 2024 (NIS in millions)



Environmental, Social and Governance (ESG) Considerations

ESG considerations do not materially affect the Company's rating. In Midroog's opinion, the Company has minimal exposure to environmental and social risks and likewise insignificant exposure to governance risks.

Rating Scorecard

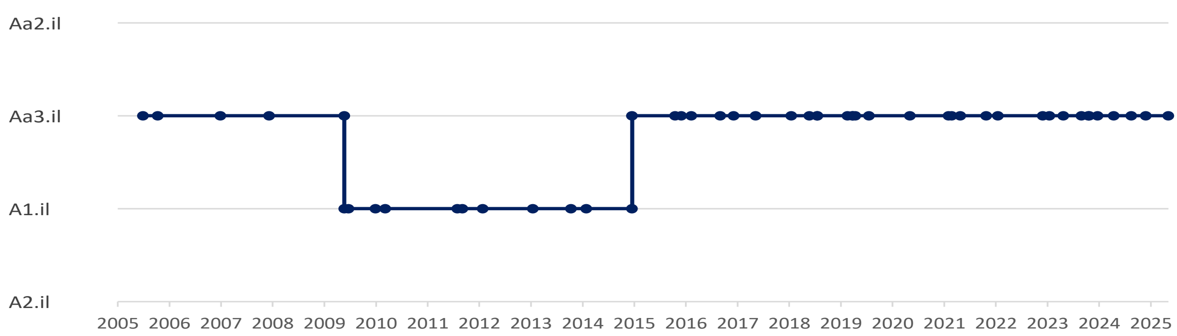
Category	Parameters	As of 31.12.2024		Midroog forecast[1]	
		Measurement[1]	Score	Measurement	Score
Holding portfolio profile	Investees' credit risk profile	-	Aa.il	-	Aa.il
	Visibility of cash flows from investees and restrictions on dividend distributions as a percent of retail revenues	-	Aa.il	-	Aa.il
	Portfolio concentration attributes	-	A.il	-	A.il
Financial profile	Adjusted financial debt/adjusted asset value	40%	A.il	45%-47%	A.il
	ICR	3.4	A.il	2.5-3.5	A.il
	Financial debt/FFO	11	Baa.il	13-14	Baa.il
	Financial flexibility	-	Aa.il	-	Aa.il
	DSCR+cash	3.3	A.il	2.0-2.5	A.il
	Financial policy	-	Aa.il	-	Aa.il
Implied score					**A1.il**
Final score					**Aa3.il**

[1] The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Company. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its base case scenario, and not the issuer's assessments.

Company Profile

Alony Hetz Properties and Investments Ltd. focuses primarily on long-term investments in the income-producing real estate sector in Israel, the US and the UK, including value-add real estate development. In addition, the Company invests in the renewable energy sector through Energix Renewable Energy Ltd., which operates in Israel, Poland and the US. Alony Hetz is a public company whose shares are traded on the Tel Aviv Stock Exchange. The Company has no controlling core.

Rating History



Related Reports

Alony Hetz Properties and Investments Ltd. – Related Reports

Rating of Holding Companies – Methodology Report, January 2021

Financial Statement Adjustments and Presentation of Main Financial Measures in Corporate Rating – Methodology Report, December 2024

Guidelines for Reviewing Environmental, Social and Governance Risks in Credit Ratings – February 2022

Impact of the Iron Swords War on the Creditworthiness of Issuers Rated by Midroog – Special Report, October 2024

Table of Relationships and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	May 6, 2025
Date of last revision of the rating:	December 12, 2024
Date of first publication of the rating:	June 27, 2005
Rating commissioned by:	Alony Hetz Properties and Investments Ltd.
Rating paid for by:	Alony Hetz Properties and Investments Ltd.

Information from the Issuer

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

Caveat regarding the limitations of a rating and the risks of relying on a rating, and caveats and reservations in respect to the activity of Midroog Ltd. and the information appearing on its website

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